

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of:)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
Universal Service Reform – Mobility)	WT Docket No. 10-208
Fund)	

**COMMENTS ON DELL TELEPHONE COOPERATIVE PETITION FOR WAIVER OF
CERTAIN HIGH-COST UNIVERSAL SERVICE RULES BY VALLEY TELEPHONE
COOPERATIVE, INC.**

Valley Telephone Cooperative, Inc. “VTCI” is pleased to submit these comments in response to the Public Notice released by the Wireline Competition Bureau on July 11, 2012, seeking comment on Dell Telephone Cooperative’s Petition for Limited Waiver of Certain High-Cost Universal Service Rules (“*Petition*”). Dell seeks a waiver of section 54.302 of the Commission’s rules, which establishes a total limit on high-cost universal service support of \$250 per line per month, beginning July 1, 2012. Dell also seeks waiver of the rule limiting reimbursable capital and operating expenses applied to High Cost Loop Support (HCLS). Finally, Dell seeks a waiver of the updated and extended limits on recovery of corporate operations expenses applied to HCLS and Interstate Common Line Support (ICLS).

VTCI is a rural rate of return carrier that provides essential communications services to rural America. While VTCI’s service density is less than one customer per square mile served, VTCI’s customers are farmers, ranchers, businesses (including heavy petrochemical and industrial locations), and residential consumers who need connectivity to both the public switched network and

the high speed Internet network in order to perform their work tasks which provide the essential goods and services this nation and the world need. VTCI has provided previous comments through associations and communications groups on the problems with the FCC's proposed USF reform process.

While VTCI is not necessarily opposed to limits on future excessive operations expense amounts, VTCI is deeply concerned about a framework that caps investment in our future rural infrastructure and eliminates reimbursement for expenses already incurred or committed to in order to provide quality, state-of-art technologies to rural businesses and residential customers. Today, carriers are able to anticipate and make investment decisions that continue to provide current technologies and state-of-art services for rural consumers knowing that the high cost of providing the service will be supported on the basis of expected USF payments. In contrast, the framework adopted by the Commission — which will cap reimbursable expenses based on expenses incurred by other, “similarly situated” carriers — introduces levels of uncertainty and variability that will make it nearly impossible for a carrier to plan its network upgrades and expense outlays on anticipation of its expected HCLS support payments. To be sure, this uncertainty will persist every single year that the framework is in place since a carrier's peer group and the peer group's costs are both moving targets.

In addition, the caps on Corporate Operations expenses using per line amounts are illogical. Costs such as audit fees, regulatory compliance reporting, legal, consulting, accounting, insurance, etc., do not decline as lines decline. This Commission needs to reexamine the corporate operations expense limits and freeze the amounts at appropriate levels, and then adjust the frozen amounts annual based on CPI changes. To allow changes in line counts, a variable item, to impact costs that are mostly fixed overhead costs is both arbitrary and capricious and does not reasonably reflect the ongoing

changes in any company's corporate operations costs. VTCI recommends an immediate review of the methodology for determining the cap on all rural rate of return carriers.

CONCLUSION:

The demographics of Dell, like VTCI, require large sums of USF per customer to provide and maintain the services each rural American has had a right to receive since the Communications Act of 1934. VTCI supports Dell's waiver request regarding the \$250 per line per month rule and Dell's waiver request regarding the rule limiting reimbursable capital and operating expenses applied to High Cost Loop Support. VTCI recommends swift action by the FCC approving the limited waiver requests.

Respectfully submitted,

VALLEY TELEPHONE COOPERATIVE, INC

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